

PERAC AUDIT REPORT



Plymouth County Contributory Retirement System

JAN. 1, 2000 - DEC. 31, 2003 | PERAC 03: 10-011-18



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations	2
Statement Of Ledger Assets And Liabilities	7
Statement Of Changes In Fund Balances.....	8
Statement Of Income	9
Statement Of Disbursements.....	10
Investment Income.....	11
Statement Of Allocation Of Investments Owned	12
Supplementary Investment Regulations	13
<u>Notes to Financial Statements:</u>	
Note 1 - The System	28
Note 2 - Significant Accounting Policies	28
Note 3 - Supplementary Membership Regulations.....	28
Note 4 - Administration Of The System.....	29
Note 5 - Actuarial Valuation And Assumptions.....	30
Note 6 - Membership Exhibit	31

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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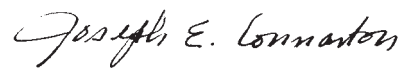
November 12, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Plymouth County** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2000** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Patrick H LePage who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Plymouth County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

1. Annuity Reserve Interest

The correction of erroneous general ledger entries in months or years subsequent to the original entry led to the annuity reserve interest calculation being understated. The compounded effect of this practice was \$59,630.65 at the end of 2003.

Recommendation:

The Executive Director plans to make an adjusting entry to the annuity reserve fund during 2004.

For future reference, we have confirmed that PERAC will accept a correcting journal entry dated at the time of the error, provided that the Board submits corrected financial reports with a copy of the journal entry, and provided further that the correction takes place in the current year. Corrections to a prior year should be posted on January 1st of the current year. The Board should employ this process whenever it discovers a significant error in the general ledger. In any case, annuity reserve interest can be calculated as if no error exists, either by overriding the accounting program or performing a manual calculation.

Board Response:

Appropriate adjusting entry posted with an effective date of January 1, 2004.

2. Minutes

a. A review of meeting attendance by Board members revealed two members with significant absenteeism during the years reviewed. One member's absentee rates ranged from 25% - 40% between 1/1/01 and 5/31/04. This member retired from the Board on 6/30/04. A second member missed 1/3 of meetings held in 2003.

b. The Board has not maintained records of all of its executive sessions. The only executive session minutes on file were minutes of the 5/26/04 executive session; PERAC auditors attended the public portion of that meeting. Minutes were not taken for the 5/30/00 and 11/25/03 executive sessions. Due to ongoing investment-related litigation, the Board refused to produce minutes for the 2/24/04 and 3/30/04 executive sessions.

c. Expense budgets for 2001 and 2002 were approved without stating a dollar amount. No mention of budgets being approved for 2003 or 2004 was found.

d. Board members are not presented a trial balance of the general ledger or cash reconciliations to review each month.

e. As mentioned in the last audit, minutes books are not permanently bound.

Plymouth County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

Recommendation:

- a. Attendance at Board meetings is an obligation that must be fulfilled by all Board members. It is the Board's responsibility to advise members who fail to uphold their fiduciary duties to the System, and to take appropriate action with such members, when necessary. Since the County has granted Board members an annual stipend for service, the Board may want to consider adopting a supplemental regulation making payment of the stipend subject to reasonable (> 75%) attendance at Board meetings.
- b. The Board is required to record the minutes of executive sessions in accordance with 840 CMR 6.12(2), 10.12(3)(e), 25.31(2), and G.L. c. 32, § 20(5).
- c. Boards are statutorily required by G.L. c. 32, § 22(5) to annually adopt a budget, and supplemental budgets as necessary, for payment of all retirement system expenses. Since these budgets must be preserved for later review, we recommend that they be inserted in or attached to the minutes.
- d. In order to comply with 840 CMR 25.31(6), the minutes should note that the Board is presented with a monthly trial balance and cash reconciliations for review.
- e. Minutes of meetings must be maintained in a manner that ensures their completeness, creates a permanent record, and leaves no question as to their accuracy.

Board Response:

- a. No response
- b. The Board is currently keeping separate executive session minutes. The Board did not **refuse** to make the recent executive session minutes available. On advice of counsel, with PERAC'S counsel agreement, the Board was not required to make them available.
- c. Expense budgets of prior years were presented to the county retirement advisory board for review.
- d. Board members have access to trial balances and cash reconciliations for their review.
- e. Minute books have not been permanently bound since the system started in 1937.

3. Current Retirees

The Board is calculating the three-year average salary from recorded deduction amounts. Because the Board is not receiving detailed payroll information, the accuracy of the deductions is not confirmed. This allows for the possibility of generating an incorrect average salary. No department-head approval or verification of salary information is obtained in an effort to prevent miscalculations.

Plymouth County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

Recommendation:

The Board must receive detailed payroll information in order to ensure proper calculation of a member's average salary.

Board Response:

All units are instructed on what earnings constitute regular compensation. If a significant difference occurs in deductions, a separate review is conducted.

4. Affidavits

As noted in our last audit, the Board does not send affidavits to retired members or beneficiaries.

Recommendation:

The Board must comply with 840 CMR 15.01, which requires the annual submission of signed affidavits by the System's retired members and beneficiaries, the withholding of benefits of those who fail to comply, and annual auditing of at least 5% of the forms returned.

Board Response:

The Board utilizes a computer match on social security numbers together with insurance deduction records to ascertain eligibility.

5. Expenses

The Board has approved and paid for the conference registration fees of members' spouses. No record of reimbursement to the System was found.

Recommendation:

The System must not pay any portion of the expense for a Board member's spouse to attend a conference. This violates 840 CMR 17.03(2)(e)4. The Executive Director should research these costs and document repayment by the individual Board members and/or their spouses.

The Board is required to adhere to PERAC's travel regulations (840 CMR 2.00), which became effective June 6, 2003.

Board Response:

The Director has informed members that registration fees for spouses will no longer be reimbursed.

6. Certified Listing of Assets

The certified listing of assets as of December 31, 2003, provided by the custodian bank, does not agree with some of the Annual Statement balances. The affected accounts are cash, short-term investments, pooled international fixed income, pooled alternative investments, and pooled real estate funds.

Plymouth County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

Recommendation:

The affected accounts listed above should be reviewed and reconciled to the custodian statement and an explanation provided for any variance.

Board Response:

The year end report from the custodian bank does not include adjustment for the last quarter of the year on alternative investments, venture capital and real estate.

7. Annual Statement Review

The fund accounts should not indicate negative balances. The balance for the pension fund as of December 31, 2003 was reported as a negative balance of \$4,920,704.44.

Recommendation:

In order to correct the negative balance in the pension fund, a letter should be sent to PERAC's actuarial unit requesting a transfer from the pension reserve fund to the pension fund to make up for this shortfall (G.L. c. 32, § 22(3)(b)).

Board Response:

Adjustment of the pension fund posted with an effective date of January 1, 2004. Actuary has already granted authority for transfer at time of appropriation.

8. Membership:

PERAC auditors sampled members' deduction rates to determine that correct percentages are being withheld, and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979. The sample yielded a 25% error rate. There was a 15% error rate in the base deduction rate and a 10% error rate in the additional 2% deduction for income over \$30,000. Errors were detected in 33% of the member units, while 25% of member units' payroll information was unavailable.

There are approximately ninety members employed in two or more units within the System. Originally, one third of these were selected for review but, due to the availability of payroll information, only sixteen of these were included in the sample; three of these were not subject to the additional 2% due to their dates of membership, three appeared to have an adjustment to their 2% withholdings based on combined salary, and the other ten appear to have errors with the additional 2% deduction for combined incomes over \$30,000. The additional 2% was not withheld on total earnings over \$30,000.

Recommendation:

The Board must comply with G.L. c. 32, § 22(1)(b), and PERAC Memo #43/1999, which defined the additional 2% deduction. The Board should initiate a system of obtaining detailed payroll information from each unit, which includes the following member information:

Plymouth County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

1. Name,
2. Social Security or employee number,
3. Membership date,
4. Contribution rate,
5. Compensation by type: total, regular, overtime, other,
6. Regular and 2% incremental deductions,
7. Any other information deemed appropriate.

This data must be routinely reviewed by the Board to ensure that proper deductions are being withheld. Unit Treasurers or other disbursing officers in charge of payroll must certify to the Board that deductions were taken in accordance with the provisions of G.L. c. 32, § 22.

The Board must identify and monitor the contributions of members who are employed by more than one unit, and ensure that these members are paying the correct contributions based on their membership dates and their annualized salaries.

A training program should be set up for all payroll personnel, including representatives from outside payroll services. All persons charged with processing retirement deductions should receive copies of any and all memos or notices relating to new regulations or other changes involving eligibility or contribution rates.

Board Response:

An ongoing review of deductions is conducted with appropriate notice sent when discrepancies are found.

Final Determination:

PERAC auditors will follow up in six months to ensure that the appropriate actions have been taken regarding all findings.

Plymouth County Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDED DECEMBER 31, 2003**

	FOR THE PERIOD ENDED DECEMBER 31,			
ASSETS	2003	2002	2001	2000
Cash	\$5,814,454	\$5,800,982	\$17,900,034	\$9,017,019
Short Term Investments	3,717,030	4,180,738	3,944,689	4,014,871
Fixed Income Securities (1998 at book value)	0	3,320	17,591,139	20,806,515
Equities	134,104,783	96,865,498	161,071,356	205,311,717
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	104,200,560	73,963,530	76,150,362	66,614,777
Pooled International Equity Funds	38,453,878	43,919,309	58,538,455	66,422,641
Pooled Global Equity Funds	13,894,482	4,636,414	0	0
Pooled Domestic Fixed Income Funds	90,837,533	85,341,873	51,723,705	47,583,622
Pooled International Fixed Income Funds	33,720,591	13,539,921	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	10,288,856	10,326,618	12,176,644	23,751,304
Pooled Real Estate Funds	34,344,025	28,928,193	23,048,184	23,451,743
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	0	0	0	0
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	277,426	0	291,307	356,850
Accounts Receivable	3,557,756	12,338,932	1,564,423	3,520,925
Accounts Payable	(2,792,578)	(815,566)	(67,879)	(2,848,012)
TOTAL	<u>\$470,418,796</u>	<u>\$379,029,765</u>	<u>\$423,932,418</u>	<u>\$468,003,972</u>
FUND BALANCES				
Annuity Savings Fund	\$159,635,523	\$150,055,593	\$141,099,339	\$130,165,145
Annuity Reserve Fund	47,533,142	42,982,096	38,206,715	35,915,314
Military Service Fund	13,168	12,784	12,608	12,300
Pension Fund	(4,920,704)	13,011,705	13,833,761	19,639,613
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>268,157,667</u>	<u>172,967,587</u>	<u>230,779,994</u>	<u>282,271,600</u>
TOTAL	<u>\$470,418,796</u>	<u>\$379,029,765</u>	<u>\$423,932,418</u>	<u>\$468,003,972</u>

Plymouth County Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDED DECEMBER 31, 2003**

	Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2000)	\$120,730,783	\$33,911,428	\$12,000	\$24,139,816	\$0	\$271,416,592	\$450,210,619
Receipts	17,739,155	\$1,038,255	300	22,974,129	3,127,465	10,819,250	55,698,554
Interfund Transfers	(5,098,472)	5,062,714				35,758	(0)
Disbursements	<u>(3,206,320)</u>	<u>(\$4,097,083)</u>	<u>0</u>	<u>(27,474,332)</u>	<u>(3,127,465)</u>	<u>0</u>	<u>(37,905,201)</u>
Ending Balance (2000)	130,165,145	\$35,915,314	12,300	19,639,613	0	282,271,600	468,003,972
Receipts	19,425,098	1,088,448	308	22,841,651	3,377,135	(51,626,703)	(4,894,063)
Interfund Transfers	(5,547,852)	5,412,754				135,098	(0)
Disbursements	<u>(2,943,052)</u>	<u>(4,209,801)</u>	<u>0</u>	<u>(28,647,503)</u>	<u>(3,377,135)</u>	<u>0</u>	<u>(39,177,491)</u>
Ending Balance (2001)	141,099,339	38,206,715	12,608	13,833,761	0	230,779,994	423,932,418
Receipts	20,058,438	1,158,521	177	30,144,544	3,093,709	(57,847,331)	(3,391,942)
Interfund Transfers	(8,385,463)	8,350,540				34,923	(0)
Disbursements	<u>(2,716,721)</u>	<u>(4,733,681)</u>	<u>0</u>	<u>(30,966,601)</u>	<u>(3,093,709)</u>	<u>0</u>	<u>(41,510,712)</u>
Ending Balance (2002)	150,055,593	42,982,096	12,784	13,011,705	0	172,967,587	379,029,765
Receipts	20,591,574	1,295,762	384	16,843,381	3,802,361	95,121,922	137,655,384
Interfund Transfers	(8,664,986)	8,596,827				68,158	0
Disbursements	<u>(2,346,658)</u>	<u>(5,341,543)</u>	<u>0</u>	<u>(34,775,790)</u>	<u>(3,802,361)</u>	<u>0</u>	<u>(46,266,353)</u>
Ending Balance (2003)	<u>\$159,635,523</u>	<u>\$47,533,142</u>	<u>\$13,168</u>	<u>(\$4,920,704)</u>	<u>\$0</u>	<u>\$268,157,667</u>	<u>\$470,418,796</u>

Plymouth County Retirement System

STATEMENT OF INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDED DECEMBER 31, 2003**

	FOR THE PERIOD ENDED DECEMBER 31,			
	2003	2002	2001	2000
Annuity Savings Fund:				
Members Deductions	\$17,430,866	\$16,770,903	\$15,581,262	\$14,185,274
Transfers from other Systems	1,170,444	739,392	976,567	704,061
Member Make Up Payments and Redeposits	551,529	647,881	472,225	411,616
Member Payments from Rollovers	0	0	0	0
Investment Income Credited to Member Accounts	<u>1,438,735</u>	<u>1,900,262</u>	<u>2,395,044</u>	<u>2,438,205</u>
Sub Total	<u>20,591,574</u>	<u>20,058,438</u>	<u>19,425,098</u>	<u>17,739,155</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>1,295,762</u>	<u>1,158,521</u>	<u>1,088,448</u>	<u>1,038,255</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	508,968	257,636	442,699	431,245
Received from Commonwealth for COLA and				
Survivor Benefits	0	2,163,478	1,748,322	2,362,123
Pension Fund Appropriation	<u>16,334,413</u>	<u>27,723,431</u>	<u>20,650,630</u>	<u>20,180,761</u>
Sub Total	<u>16,843,381</u>	<u>30,144,544</u>	<u>22,841,651</u>	<u>22,974,129</u>
Military Service Fund:				
Contribution Received from Municipality on Account				
of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>384</u>	<u>177</u>	<u>308</u>	<u>300</u>
Sub Total	<u>384</u>	<u>177</u>	<u>308</u>	<u>300</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>3,802,361</u>	<u>3,093,709</u>	<u>3,377,135</u>	<u>3,127,465</u>
Sub Total	<u>3,802,361</u>	<u>3,093,709</u>	<u>3,377,135</u>	<u>3,127,465</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	0	0	0	0
Pension Reserve Appropriation	57,634	99,132	156,874	116,305
Interest Not Refunded	28,031	45,193	44,168	42,056
Miscellaneous Income	0	0	0	0
Excess Investment Income	<u>95,036,257</u>	<u>(57,991,656)</u>	<u>(51,827,745)</u>	<u>10,660,889</u>
Sub Total	<u>95,121,922</u>	<u>(57,847,331)</u>	<u>(51,626,703)</u>	<u>10,819,250</u>
TOTAL RECEIPTS	<u>\$137,655,384</u>	<u>(\$3,391,942)</u>	<u>(\$4,894,063)</u>	<u>\$55,698,554</u>

Plymouth County Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDED DECEMBER 31, 2003**

FOR THE PERIOD ENDED DECEMBER 31,				
	2003	2002	2001	2000
Annuity Savings Fund:				
Refunds to Members	\$1,253,860	\$1,742,640	\$1,602,584	\$1,540,245
Transfers to other Systems	<u>1,092,799</u>	<u>974,080</u>	<u>1,340,468</u>	<u>1,666,075</u>
Sub Total	<u>2,346,658</u>	<u>2,716,721</u>	<u>2,943,052</u>	<u>3,206,320</u>
Annuity Reserve Fund:				
Annuities Paid	4,984,318	4,365,831	3,996,796	3,716,224
Option B Refunds	<u>357,225</u>	<u>367,849</u>	<u>213,005</u>	<u>380,859</u>
Sub Total	<u>5,341,543</u>	<u>4,733,681</u>	<u>4,209,801</u>	<u>4,097,083</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	24,723,696	21,761,853	19,776,787	18,360,921
Survivorship Payments	1,438,781	1,341,105	1,257,664	1,179,797
Ordinary Disability Payments	554,630	533,967	551,906	588,626
Accidental Disability Payments	6,323,439	5,767,750	5,421,248	5,058,637
Accidental Death Payments	1,159,410	1,049,308	1,038,563	1,010,422
Section 101 Benefits	220,604	216,276	205,975	173,244
3 (8) (c) Reimbursements to Other Systems	355,229	296,342	395,360	1,102,686
State Reimbursable COLA's Paid	0	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>34,775,790</u>	<u>30,966,601</u>	<u>28,647,503</u>	<u>27,474,332</u>
Military Service Fund:				
Return to Municipality for Members Who				
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	12,826	14,250	15,000	15,000
Salaries	253,627	248,390	256,162	211,044
Management Fees	2,999,772	2,313,971	2,566,765	2,356,274
Custodial Fees	178,019	196,063	234,311	229,363
Consultant Fees	127,600	125,000	126,250	80,000
Legal Expenses	47,873	50,137	55,438	49,288
Medical Expenses	82	123	103	169
Fiduciary Insurance	0	0	0	0
Service Contracts	0	0	0	0
Rent Expense	0	0	0	0
Administrative Expenses	174,826	125,618	107,096	143,609
Furniture and Equipment	0	0	0	24,619
Travel Expenses	<u>7,736</u>	<u>20,156</u>	<u>16,010</u>	<u>18,100</u>
Sub Total	<u>3,802,361</u>	<u>3,093,709</u>	<u>3,377,135</u>	<u>3,127,465</u>
TOTAL DISBURSEMENTS	<u>\$46,266,353</u>	<u>\$41,510,712</u>	<u>\$39,177,491</u>	<u>\$37,905,201</u>

Plymouth County Retirement System

INVESTMENT INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDED DECEMBER 31, 2003**

	FOR THE PERIOD ENDED DECEMBER 31,			
	2003	2002	2001	2000
Investment Income Received From:				
Cash	\$162,617	\$364,024	\$502,588	\$659,660
Short Term Investments	35,647	117,372	169,499	192,922
Fixed Income	311	12,239,596	6,510,180	5,915,869
Equities	1,716,272	2,635,026	3,556,478	5,297,421
Pooled or Mutual Funds	9,540,243	1,510,862	1,837,035	2,605,046
PRIT Fund	0	0	0	0
Commission Recapture	<u>8,752</u>	<u>16,040</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>11,463,842</u>	<u>16,882,920</u>	<u>12,575,780</u>	<u>14,670,917</u>
Plus:				
Increase in Amortization of Fixed Income Securities	0	0	0	0
Realized Gains	11,512,762	3,025,541	6,056,538	12,808,652
Unrealized Gains	97,522,074	34,079,397	49,026,468	95,071,140
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>277,426</u>	<u>0</u>	<u>291,307</u>	<u>356,850</u>
Sub Total	<u>109,312,262</u>	<u>37,104,938</u>	<u>55,374,313</u>	<u>108,236,641</u>
Less:				
Decrease in Amortization of Fixed Income Securities	0	0	0	0
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	(3,289,721)	(16,575,650)	(10,784,586)	(11,896,037)
Unrealized Loss	(15,912,883)	(89,251,194)	(101,841,011)	(93,389,558)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>(291,307)</u>	<u>(356,850)</u>	<u>(442,316)</u>
Sub Total	<u>(19,202,604)</u>	<u>(106,118,151)</u>	<u>(112,982,447)</u>	<u>(105,727,911)</u>
NET INVESTMENT INCOME	<u>101,573,500</u>	<u>(52,130,293)</u>	<u>(45,032,354)</u>	<u>17,179,647</u>
Income Required:				
Annuity Savings Fund	1,438,735	1,900,262	2,395,044	2,438,205
Annuity Reserve Fund	1,295,762	1,158,521	1,088,448	1,038,255
Military Service Fund	384	177	308	300
Expense Fund	<u>3,802,361</u>	<u>3,093,709</u>	<u>3,377,135</u>	<u>3,127,465</u>
TOTAL INCOME REQUIRED	<u>6,537,242</u>	<u>6,152,669</u>	<u>6,860,935</u>	<u>6,604,225</u>
Net Investment Income	<u>101,573,500</u>	<u>(52,130,293)</u>	<u>(45,032,354)</u>	<u>17,179,647</u>
Less: Total Income Required	<u>6,537,242</u>	<u>6,152,669</u>	<u>6,860,935</u>	<u>6,604,225</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$95,036,257</u>	<u>(\$58,282,963)</u>	<u>(\$51,893,289)</u>	<u>\$10,575,423</u>

Plymouth County Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$5,814,454	1.24%	
Short Term	3,717,030	0.79%	
Fixed Income	-	0.00%	
Equities	134,104,783	28.57%	
Pooled Short Term Funds	-	0.00%	
Pooled Domestic Equity Funds	104,200,560	22.20%	
Pooled International Equity Funds	38,453,878	8.19%	
Pooled Global Equity Funds	13,894,482	2.96%	
Pooled Domestic Fixed Income Funds	90,837,533	19.35%	
Pooled International Fixed Income Funds	33,720,591	7.18%	
Pooled Global Fixed Income Funds	-	0.00%	
Pooled Alternative Investment Funds	10,288,856	2.19%	5
Pooled Real Estate Funds	34,344,025	7.32%	10
Pooled Domestic Balanced Funds	-	0.00%	
Pooled International Balanced Funds	-	0.00%	
PRIT Cash Fund	-	0.00%	
PRIT Core Fund	-	0.00%	100
GRAND TOTALS	<u>\$469,376,193</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ended December 31, **2003**, the rate of return for the investments of the **Plymouth County Retirement System** was 28.51%. For the five-year period ended December 31, **2003**, the rate of return for the investments of the **Plymouth County Retirement System** averaged 6.05%. For the nineteen-year period ended December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Plymouth County Retirement System** was 11.39%.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

The **Plymouth County** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

May 4, 1989 – (RE: Lehdorff & Babson Real Estate Counsel, Shurgard Realty Advisors, and Babson Stewart Ivory International)

1) Real estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and partnerships, provided that:

- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) such trustees or general partners retain authority in the decision making process, and
- (c) should an investment in a trust or limited partnership result in the direct ownership or real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

2) Not more than 5% of the market value of the total portfolio shall be invested in international equity commingled funds, which funds shall invest in equities of foreign corporations which are listed and traded on exchanges in the United Kingdom, France, Netherlands, Sweden, Switzerland, West Germany, Japan, Hong Kong, Singapore, Australia and New Zealand and in currencies of these countries, however, foreign currency speculation is prohibited.

October 5, 1989

1) Real estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and partnerships, provided that:

- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
- (b) such trustees or general partners retain authority in the decision making process, and
- (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

This partial waiver is granted within the restrictions of M.G.L. C. 32, s. 23 2(b)(i) which strictly prohibit investments in mortgages and collateral loans. It is the opinion of this Division that the provisions of said waiver, providing that the investment authority of real estate trusts or limited partnerships rests with the trustees or general partners, render such investments to be in compliance with said statute.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

March 26, 1991

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to five percent of the total market value of the portfolio at the time of investments, shall be considered a separate asset class, and provided further that in limited partnership investments:
- (a) the board as a limited partner does not participate in the selection of the general partner(s) or otherwise exercise discretion in the affairs of the partnership and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
 - (b) such general partner(s) retains authority in the decision making process, and
 - (c) should an investment in a limited partnership result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal place of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

April 10, 1991 – (RE: Commonwealth BioVentures, Inc.: Commonwealth BioVentures III L.P.)

- 20.09 (1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to five percent of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that in limited partnership investments:
- (a) the board as a limited partner does not participate in the selection of the general partner(s) or otherwise exercise discretion in the affairs of the partnership and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
 - (b) such general partner(s) retains authority in the decision making process, and
 - (c) should an investment in a limited partnership result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

April 11, 1991 – (RE: American Network Group, Inc.: Institutional Fund I, L.P.)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to five percent of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that in limited partnership investments:
- (a) the board as a limited partner does not participate in the selection of the general partner(s) or otherwise exercise discretion in the affairs of the partnership and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
 - (b) such general partner(s) retains authority in the decision making process, and
 - (c) should an investment in a limited partnership result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in tile United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

May 30, 1991 - (RE: JCW Ventures, Inc.: Capital Fund Partners IV)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to five percent of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that in limited partnership investments:
- (a) the board as a limited partner does not participate in the selection of the general partner(s) or otherwise exercise discretion in the affairs of the partnership and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
 - (b) such general partner(s) retains authority in the decision making process, and
 - (c) should an investment in a limited partnership result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be make in venture capital funds operated by venture capital firms having their principal place of business in the United States.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

June 19, 1991

- 20.09(4) No more than 10% of the venture capital monies placed with any one firm may be invested in the securities of any one enterprise, however, for purposes of diversification, the investment in American Network Group Institutional Fund I, L.P. may be limited to investments in two or more enterprises.

January 14, 1992

- 20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process; and
 - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

February 21, 1992

4.03:

Copies to be Sent to PERA

- (1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:
 - (a) cash book entries;
 - (b) trial balance; and
 - (c) journal entries.

July 1, 1992 – (RE: New England Growth Fund I, L.P.)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process; and

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

July 1, 1992 – (RE: New England Growth Fund I, L.P.)

20.09(1) (Continued)

(c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States.

October 8, 1992

20.04(6) American Depository Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

January 27, 1994 – (RE: Metric Apartment Co-Investment Trust, Inc.)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

(a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;

(b) such personnel retain authority in the decision making process, and

(c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

October 27, 1994 – (RE: Charles River Partnership Fund VII)

20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

(a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;

(b) such personnel retain authority in the decision making process, and

(c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

October 27, 1994 – (RE: Charles River Partnership Fund VII) (Continued)

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States.

January 5, 1995

- 16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:
 - (a) 1% of the value of the fund for the first \$5 million; and
 - (b) 0.5% of the value of the fund in excess of \$5 million.
- 16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

March 1, 1995

- 20.03(1) Equity investments shall not exceed 40% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

March 15, 1995

- 20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including international fixed income investments which shall not exceed 5% of the total portfolio valued at market.
- 20.04(6) The board may invest in obligations issued by foreign corporations and in obligations issued and guaranteed by foreign governments.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

June 14, 1995

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

- (a) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERAC for international investments.
- (b) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio to a maximum of fifty percent (50%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

November 9, 1995 – (RE: New England Partners II, L.P.)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
 - (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership on securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

December 14, 1995

- 20.07(1) The issuer of equity securities must have a publicly available operating record of at least five years, including past performance resulting from mergers, acquisitions, and spin-offs. Equity securities, however, may be purchased at the time of an Initial Public Offering (IPO) provided that the total value of investments with a publicly available operating record of less than five years shall not exceed 5% of the total equity market value.
- 20.07(6) Purchases and sales of equity investments shall not exceed 10% of the average market value of all equity holdings in any twelve month period.

February 29, 1996

840 CMR 21.00: Prohibited Investments

(2) Futures Contracts other than as follows:

- (a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERAC for international investments.
- (b) Forward Currency Contracts may be written against securities in the international portfolio to a maximum of twenty-five percent (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

December 13, 1996 – (RE: Metric Institutional Realty Advisors, L.P.: Metric Institutional Apartment Fund II, L.P.)

- 20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

May 9, 1997 – (RE: Charles River Ventures; Charles River Partnership VIII)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States. ``
- 20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States.

August 22, 1997 – (RE: SSR Apartment Value Fund, L.P.)

- 20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

March 13, 1998 – (RE: Rimco Production Company)

- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange. The board, however, may make an investment of \$2,000,000 in shares of the Rimco Production Company which shall be considered venture capital for the purpose of asset allocation and PERAC regulations.
- 21.00(6) Lettered or registered stock (with the exception of those investments that venture capital investments). The board, however, may make an investment of \$2,000,000 in shares of the Rimco Production Company which shall be considered venture capital for the purpose of asset allocation and PERAC regulations.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

May 8, 1998 – (RE: Senior Tour Players, LLC; Senior Tour Players Fund I)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investment shall be made principal places of business in the United States.

July 17, 1998 – (RE: DN Partners, L.P.)

840 CMR 21.00: Prohibited Investments

(8) Collateral loans including leveraged buyouts other than as follows:

Leveraged buyout investments shall not exceed 3% of the portfolio valued at market and shall consist of a leveraged buyout limited partnership, provided that:

- (a) limited partners do not participate in the selection of general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) the general partners retain authority in the decision making process.

October 27, 1998

- 19.01(7)(a)(6) the range of fees that are considered tolerable, provided, however, that in no event shall a Board retain a qualified investment manager whose fee is based on a percentage of committed capital, provided, however, that such a fee may be paid for one year after the partnership commences operations, and provided further, that such a fee is paid by all investors;
- (6a) the board, however, may retain Charles River Partnership IX and pay compensation according to the fee schedule submitted to PERAC provided that such a fee is paid by all investors.

Plymouth County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

December 20, 1999

- 16.08 In accordance with PERAC Investment Guideline 99-3, the Plymouth County Retirement Association may invest in Charles River Partnership X. The Association has been an investor in Charles River Partnerships VI, VII, VIII, and IX and has submitted information on those investments as well as other required documents.

September 1, 2000

- 16.08 In accordance with PERAC Investment Guideline 99-3, the Plymouth County Retirement Association may invest in Charles River Partnership XI. The Association has had a satisfactory and successful relationship with Charles River Ventures from its prior investments in Charles River Partnerships VI, VII, VIII, IX, and X, and has submitted the appropriate documentation in support of this request.

July 20, 2001

- 16.08 In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Association is authorized to change its domestic small cap equity mandate with Aeltus Investment Management from a separate account to a commingled fund for the purpose of achieving operational efficiency and reduced costs.

September 27, 2002

- 16.08 In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Board is authorized to make the following two modifications to existing investment mandates. The large cap equity mandate with Freedom Capital Management is being transferred from the commingled Equity Style Fund to a separately managed large cap growth account. The Equity Style Fund switched between a large cap growth concentration and a large cap value concentration at the manager's discretion. The Board has concluded that having a permanent large cap growth mandate would be more consistent with its asset allocation goals. The Board has had a satisfactory relationship with Freedom Capital since 1999.

The assets in the Putnam Core Growth Trust are being transferred to the Putnam Mid Cap Growth Trust. The Core Trust includes holdings of large, mid, and small cap stocks. The Board has concluded that its overall asset allocation would be best served by reducing this mandate to focus only on the mid-cap segment. The Board has had a successful relationship with Putnam since 1997.

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Plymouth County** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 1 - THE SYSTEM (Continued)

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually reduced such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited all income derived from interest and dividends of invested funds. At the end of the year the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Plymouth County** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

June 6, 1990

The Plymouth County Retirement Association will grant one full year of creditable service for retirement purposes to those employees of public school systems employed on a full time basis for a full academic year provided that such annual employment period consists of one hundred eighty days.

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

This regulation shall apply to those clerical personnel, school nurses, aides and other employees eligible for membership in the Plymouth County Retirement Association.

For the purposes of this regulation, regularly scheduled school vacations, release periods and holidays shall count toward the one hundred eighty-day employment period.

August 2, 1999

Any eligible member entitled to purchase credit for military service must notify the Plymouth County Retirement Board not later than 180 days of being notified of eligibility. Payments must commence within the 180-day period.

The Board requires a lump sum payment if the amount due is less than \$500.00. If over this amount, the Board will allow installment payments calculated as double the normal deductions. Interest will not be charged prior to the 180 days expiring. Interest will be charged on the unpaid balance of installment payments after expiration of the 180-day period.

This regulation establishes rules for purchasing military service pursuant to Chapter 71 of the Acts of 1996

August 7, 2002

Any member, active or retired, who has or had personal use of an employer-owned or leased motor vehicle shall have the personal use or commuting value of said vehicle included in the calculation of "regular compensation" with appropriate retirement deductions or payment under the conditions set forth herein.

The employer must affirm in writing under the pains and penalties of perjury the employer's policy relative to personal use of municipal vehicles.

NO PERSONAL USE ALLOWED

In those circumstances where no personal use is allowed the commuting value shall be limited to \$3.00 per day for those days the individual actually worked in accordance with Internal Revenue Regulations. The number of days shall be determined as follows:

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

August 7, 2002 (continued)

1. Number of days in year	365
2. Less: Saturdays and Sundays	<u>-104</u>
	261
3. Less: Vacation days	_____
4. Less: Paid holidays	_____
5. Less: Sick days taken	_____
6. Less: All other non-vehicle use days	_____
7. Net total days vehicle used to commute	_____

PERSONAL USE ALLOWED

In those instances where personal use is allowed, the lease value of the vehicle shall be established on the first day the vehicle is placed in service in accordance with Internal Revenue Regulations. The value of the vehicle may be reduced by not more than 10% for each year in service.

The personal use value of the vehicle shall be set at 75% unless a municipality establishes a lower value.

TAX TREATMENT

In accordance with Internal Revenue Regulations, the amount allocated to personal use must be reflected on Form W-2 for each employee in order to be included in regular compensation. A copy of Form W-2 must be forwarded to the retirement board.

The personal use of emergency vehicles (police and fire) need not be reported on Form W-2 as set forth in IRS Regulation 1.274-5T(k)(3). Written authorization of the governing body must be filed with the retirement board.

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the County Treasurer, who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: John McLellan

Appointed Member: Carole McCormack Term Expires: 12/31/05

Elected Member: Joseph McDonough Term Expires: 12/31/04

Elected Member: John Sciara Term Expires: 12/31/05

Appointed Member: James Harrington Term Expires: Indefinite

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$30,000,000
Elected Member:)	Travelers (\$10M Primary)
Appointed Member:)	Chubb Group (\$10M Excess of Primary)
Staff Employee:)	Executive Risk (\$10M Excess of \$20M)

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **PricewaterhouseCoopers LLP** as of **January 1, 2002**.

The actuarial liability for active members was	\$427,609,822
The actuarial liability for retired members was	<u>305,588,382</u>
The total actuarial liability was	733,198,204
System assets as of that date were	<u>466,325,660</u>
The unfunded actuarial liability was	<u>\$266,872,544</u>
The ratio of system's assets to total actuarial liability was	63.6%
As of that date the total covered employee payroll was	\$205,039,686

The normal cost for employees on that date was 8.00% of payroll

The normal cost for the employer was 2.80% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.50% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$ 466,325,660	\$ 733,198,204	\$ 266,872,544	63.6%	\$205,039,686	130.16%
1/1/2000	\$ 450,210,619	\$ 611,204,058	\$ 160,993,439	73.7%	\$178,010,731	90.44%
1/1/1998	\$ 316,253,566	\$ 492,303,777	\$ 176,050,211	64.2%	\$148,264,981	118.74%
1/1/1996	\$ 222,822,638	\$ 359,461,980	\$ 136,639,342	62.0%	\$136,768,169	99.91%

Plymouth County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDED DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Superannuation	99	117	96	115	133	47	121	122	88	183
Ordinary Disability	3	4	3	0	3	1	5	4	0	1
Accidental Disability	10	7	16	2	8	2	9	12	1	6
Total Retirements	112	128	115	117	144	50	135	138	89	190
 Total Retirees, Beneficiaries and Survivors	 2,408	 2,440	 2,458	 2,498	 2,650	 2,676	 2,729	 2,807	 2,915	 3,069
 Total Active Members	 5,516	 5,862	 5,981	 6,391	 6,947	 7,795	 10,021	 8,469	 8,506	 8,623
 Pension Payments										
Superannuation	\$11,438,728	\$12,253,892	\$12,973,788	\$14,075,897	\$15,175,707	\$16,576,667	\$18,360,921	\$19,776,787	\$21,761,853	\$24,723,696
Survivor/Beneficiary Payments	1,003,330	1,006,099	1,022,065	1,050,687	1,074,908	1,092,647	1,179,797	1,257,664	1,341,105	1,438,781
Ordinary Disability	463,957	467,434	464,550	439,555	445,917	456,008	588,626	551,906	533,967	554,630
Accidental Disability	3,624,409	3,870,909	4,162,046	4,218,136	4,550,009	4,780,260	5,058,637	5,421,248	5,767,750	6,323,439
Other	<u>1,757,004</u>	<u>1,856,701</u>	<u>1,980,680</u>	<u>2,049,932</u>	<u>1,328,559</u>	<u>2,873,755</u>	2,286,351	1,639,898	1,561,927	1,735,243
Total Payments for Year	<u>\$18,287,428</u>	<u>\$19,455,035</u>	<u>\$20,603,129</u>	<u>\$21,834,207</u>	<u>\$22,575,100</u>	<u>\$25,779,337</u>	<u>\$27,474,332</u>	<u>\$28,647,503</u>	<u>\$30,966,601</u>	<u>\$34,775,790</u>

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